

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Davison Local Development Finance Authori	County Genesee
Fiscal Year End 06/30/2006	Opinion Date 7/11/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

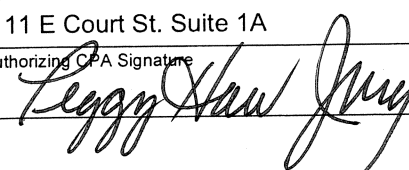
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments and recommendations	
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350	
Street Address 111 E Court St. Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 		Printed Name Peggy Haw Jury	License Number 1101009025

**Financial Report**

**Davison Local Development Finance Authority  
Davison, Michigan**

**June 30, 2006**

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Financial Report**  
**June 30, 2006**

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## **Introductory Section**

**Davison Local Development Finance Authority  
Davison, Michigan  
Financial Report  
June 30, 2006**

**List of Appointed Officials**

David Fulcher	Chairman
Leroy Cole	Vice Chairman
John A. Emmendorfer	Treasurer
Fred Rappuhn	Mayor – City of Davison
Rose Bogardus	County Commissioner
Doug Ferrell	
Rich Glish	
Kelli Sproule	
Duane Veit	

The Brownfield Re-development Authority is made up of the above board members holding the same positions.

*Independent Auditor's Report*

Board Members  
Davison Local Development Finance Authority  
Davison, Michigan

We have audited the accompanying financial statements of the governmental activities of Davison Local Development Finance Authority (a component unit of the City of Davison) as of and for the year ended June 30, 2006, which collectively comprise the Davison Local Development Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Davison Local Development Finance Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities of the Davison Local Development Finance Authority as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Plante & Moran PLLC*

July 11, 2006

## **Management's Discussion and Analysis**

**Davison Local Development Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2006**

As management of Davison Local Development Finance Authority (LDFA), we offer readers of Davison Local Development Finance Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Local Development Finance Authority.

**Using this Annual Report**

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the LDFA as a whole and present a longer-term view of the LDFA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the LDFA's operations in more detail than the government-wide financial statements by providing information about the LDFA's general fund.

**Financial Highlights**

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Authority are \$148,008 which represents cash. The liabilities are \$27,194, of which \$11,110 represents amounts due to the City of Davison, leaving net assets of \$120,814.

Net assets decreased by \$25,303 for the Authority as a result of \$66,076 in program expenses which are offset by general revenues of \$40,773.

**Government-wide Financial Analysis**  
**Davison Local Development Finance Authority**  
**Net Assets**

	<u>2006</u>	<u>2005</u>
Cash	\$148,008	\$147,596
Deposit	<u>-</u>	<u>5,000</u>
Total assets	<u>148,008</u>	<u>152,596</u>
Accounts payable	16,084	1,000
Due to other governments	<u>11,110</u>	<u>5,479</u>
Total liabilities	<u>27,194</u>	<u>6,479</u>
Net assets – Unrestricted	<u><u>\$120,814</u></u>	<u><u>\$146,117</u></u>



**Davison Local Development Finance Authority**  
**Change in Net Assets**

	<u>2006</u>	<u>2005</u>
Revenues:		
General revenues:		
Tax increment revenues	\$ 39,415	\$ 40,900
Interest	1,358	1,354
Miscellaneous	-	2,102
Total revenues	<u>40,773</u>	<u>44,356</u>
Expenses:		
Development administration	20,944	20,468
Development activities	34,938	5,691
Interest expense	<u>10,194</u>	<u>-</u>
Total expenses	<u>66,076</u>	<u>26,159</u>
Increase (decrease) in net assets	(25,303)	18,197
Net assets – beginning of the year	<u>146,117</u>	<u>127,920</u>
Net assets – end of the year	<u><u>\$120,814</u></u>	<u><u>\$146,117</u></u>

**Budgetary Highlights**

The 2005-2006 budget included \$25,000 for consultant services. These services were not completed by June 30, 2006, but are expected to be completed by June 30, 2007. The budget also included \$10,000 for street lighting/streetscape project which was postponed until the next fiscal year.

**Contacting Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the LDFA's finances and to show the LDFA's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Davison, Community Development Director at 200 East Flint Street, Davison, Michigan 48523.

## **Basic Financial Statements**

**Davison Local Development Finance Authority**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**General Fund**  
**June 30, 2006**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<hr/>			
<b>Assets</b>			
Cash	\$ 148,008	\$ -	\$ 148,008
<hr/>			
<b>Liabilities</b>			
Accounts payable	\$ 16,084	-	16,084
Due to other governments	11,110	-	11,110
<hr/>			
Total liabilities	27,194	-	27,194
<hr/>			
<b>Fund Balances/Net Assets</b>			
Fund balances (unreserved):			
Designated for subsequent year expenditures	120,814	(120,814)	-
<hr/>			
Total fund balances	120,814	(120,814)	-
<hr/>			
Total liabilities and fund balances	\$ 148,008	-	-
<hr/>			
Net assets:			
Unrestricted		\$ 120,814	\$ 120,814
<hr/>			

*See notes to financial statements.*

**Davison Local Development Finance Authority  
Statement of Activities and  
Governmental Fund Statement of Revenues, Expenditures, and Changes in  
Fund Balance  
General Fund  
Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
Program expenses:			
Development administration			
Community development director	\$ 20,944	\$ -	\$ 20,944
Development activities			
Professional services	1,200	-	1,200
Utilities	287	-	287
Property expenses	33,451	-	33,451
Miscellaneous	10,194	-	10,194
Total program expenses	66,076	-	66,076
General revenues			
Tax increment revenues	39,414	-	39,414
Interest earnings	1,358	-	1,358
Total general revenues	40,772	-	40,772
Decrease in fund balance/net assets	(25,304)	-	(25,304)
Fund balance/net assets - Beginning of year	146,117	-	146,117
<b>Fund balance/net assets - End of year</b>	<b>\$ 120,813</b>	<b>\$ - 0 -</b>	<b>\$ 120,813</b>

*See notes to financial statements.*

## **Notes to Basic Financial Statements**

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies**

The accounting policies of the Davison Local Development Finance Authority (LDFA) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison Local Development Finance Authority.

**Reporting entity**

In 1997, the City of Davison elected to take advantage of the full powers granted by Public Act 281 of 1986, as amended and create a local development finance authority to promote economic growth on properties located in the Industrial District.

The Davison Local Development Finance Authority (LDFA) is a component unit of the City of Davison and is located in Genesee County, Michigan. The purpose of the LDFA is to act as a local development finance authority in accordance with Act 281 of the Public Acts of Michigan of 1986, as amended and include, but not limited to, the creation and implementation of development plans in the industrial zones, to increase property values in the industrial zones, and to promote economic growth therein. The power or authority given under Public Act 281 is as follows:

- A. Study and analyze unemployment, underemployment, joblessness, and the impact of growth upon the authority district or districts.
- B. Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility.
- C. Develop long-range plans, in cooperation with the agency which is chiefly responsible for planning in the municipality, to promote the growth of the authority district or districts, and take the steps that are necessary to implement the plans to the fullest extent possible to create jobs and promote economic growth.
- D. Implement any plan of development necessary to achieve the purposes of this act in accordance with the powers of the authority as granted by this act.
- E. Make and enter into contracts necessary or incidental to the exercise of the board's powers and the performance of its duties.
- F. Acquire by purchase or otherwise on terms and conditions and in a manner the authority considers proper, own or lease as lessor or lessee, convey, demolish, relocate, rehabilitate, or otherwise dispose of real or personal property, or rights or interests in the property, which the authority determines is reasonably necessary to achieve the purposes of this act, and to grant or acquire licenses, easements, and options with respect to the property.
- G. Improve land, prepare sites for buildings, including the demolition of existing structures, and construct, reconstruct, rehabilitate, restore and preserve, equip, improve, maintain, repair, or operate a building, and any necessary or desirable appurtenances to a building, as provided in section 12(2) for the use, in whole or in part, of a public or private person or corporation, or a combination thereof.
- H. Fix, charge, and collect fees, rents, and charges for the use of a building or property or a part of a building or property under the board's control, or a facility in the building or on the property, and pledge the fees, rents, and charges for the payment of revenue bonds issued by the authority.

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**Reporting entity – (continued)**

- I. Lease a building or property or part of a building or property under the board's control.
- J. Accept grants and donations of property, labor, or other things of value from a public or private source.
- K. Acquire and construct public facilities.

The duration of the Brownfield Plan shall be thirty (30) years. As of June 30, 2006, there has been no activity for BRA.
- L. Incur costs in connection with the performance of the board's authorized functions including, but not limited to, administrative costs, and architects, engineers, legal, and accounting fees.
- M. Plan, propose, and implement an improvement to a public facility on eligible property to comply with the barrier free design requirements of the state construction code promulgated under the state construction code Act of 1972, Act No. 230 of Public Acts of 1972, being sections 125.1501 to 125.1531 of the Michigan Compiled laws.

The accounting policies of the LDFA conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

**A. Principles used in determining the scope of the entity for financial reporting activities**

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the LDFA. The LDFA is considered a "component unit" of the City of Davison's (City) governmental operation. As a result, industry standards require the City to include the financial activities of the LDFA in the City's Annual Financial Statements. The financial statement of the City of Davison is available for public inspection at city hall.

On April 20, 1998, the City Council of the City of Davison, Michigan adopted a resolution to create the City of Davison Brownfield Redevelopment Authority (BRA) and to designate the Brownfield Zone within which the BRA will exercise its powers. The Brownfield Zone to which this Brownfield Plan (the "Plan") applies, consists of the properties within the boundaries of the City of Davison, Michigan. The LDFA has agreed to supervise and control the Brownfield Redevelopment Authority (BRA).

The purpose of the Brownfield Plan, to be implemented by the BRA, is to satisfy the requirements for a Brownfield Plan as specified in Section 13 of Act No. 381 of the Public Acts of 1996. MCLA 125.2651 et. seq., which is known as the "Brownfield Redevelopment Financing Act".

The BRA has initially identified the following parcels of real estate which require, or which may require, undertaking certain eligible response activities to facilitate redevelopment under this Plan:

- 1. The Former Independent Oil Company Site, a "facility" located within the boundaries of the Downtown Development Authority, containing one or more underground storage tank(s) and contaminated soils and groundwater, requiring Phase II and baseline environment assessments, due care, and additional response activities prior to being redeveloped as part of the Downtown Revitalization Plan.

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**A. Principles used in determining the scope of the entity for financial reporting activities - (continued)**

2. The Former Davison Oil & Gas Site, a “facility” located within the boundaries of the Downtown Development Authority, consists of two contiguous parcels and a portion of a City street that will be eventually closed as part of the redevelopment. The property contains one or more underground storage tank(s) and contaminated soils and groundwater, and requires demolition of dilapidated building(s), Phase II and baseline environmental assessments, due care and additional response activities, and infrastructure improvements prior to being redeveloped as part of the Downtown Revitalization Plan.

The duration of the Brownfield Plan shall be thirty (30) years. As of June 30, 2006, there has been no activity for BRA.

**B. Government-wide and fund financial statements**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is measurable and available. Revenue is considered to be *available* if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue source meets the availability criteria; interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The LDFA reports the following governmental fund:

The General Fund is the LDFA’s primary operating fund. It accounts for all financial resources of the LDFA.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**D. Property tax**

Property taxes are levied each July 1 on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the Local Development Finance Authority District including a Tax Increment Financing Area. On July 1, the property tax attachment is an enforceable lien on the property. Assessed values are established by the City Assessor at 50% of estimated market value. The LDFA's tax revenue within the Tax Increment Financing Area is the sum of all taxes levied on the increase in taxable value since designation as a Tax Increment Financing Area. Taxes are billed and collected by the City of Davison and are due by February 28 following the levy date. LDFA property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available.

In 1997, the Davison Local Development Finance Authority entered into tax incremental financing agreements with the City of Davison and Genesee County. The LDFA's tax incremental revenue is calculated by multiplying the millage (of all entities involved) times the Captured Taxable Value (the difference between current taxable value and the initial taxable value). The initial taxable values were established in 1997 (\$2,753,325).

During 1994, Proposal A was passed by Michigan taxpayers limiting the school millage rates. The law also eliminated the school millage from the calculation of the mills to be used to compute the taxes on the increase in taxable value within the Tax Increment Financing Area that can be captured and passed through to the LDFA. There are three exceptions to this portion of the law under which the school millage could be continued as part of the captured assessment calculation: 1) the LDFA has a legal debt obligation; 2) the LDFA has an eligible advance payable; 3) or the LDFA has specific project commitments.

The captured taxable value in excess of the initial taxable values for June 30, 2006 is \$1,642,986.

The LDFA is using the tax increment revenues to improve the plan area and has created 21 jobs as a result of the implementation of the tax increment financing plan.

**E. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**F. Assets, liabilities, and net assets or equity**

**1. Capital assets**

Capital assets are only reported in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed donated capital assets are recorded at estimated fair market value at date of donation. The costs of normal maintenance and repairs that do not add value or materially extend asset lives are not capitalized. The Authority had no capital assets at June 30, 2006.

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**F. Assets, liabilities, and net assets or equity – (continued)**

**2. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. Stewardship, compliance, and accountability**

**Budgetary information**

The LDFA follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the budget committee submits to the board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the General Fund.
2. Prior to June 30, the budget is legally enacted on a total fund basis for the General Fund. The Davison City Council must also approve the budget. The budget, as presented in the required supplementary information, is presented in more detail for additional information purposes.
3. Formal budgetary integration is employed as a management control device during the year. Also, the budget is adopted on a basis consistent with generally accepted accounting principles.
4. Budget appropriations lapse at year end.
5. The original budget was not required to be amended during the year. The budget to actual expenditures in the financial statements, represent the final budgeted expenditures.

**III. Detailed notes on all funds**

**Deposits:**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

Deposits: – (continued)

The LDFA has designated three banks for the deposit of its funds; JP Morgan Chase, Davison State Bank, and Citizens Bank. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all items noted in the State statute. The LDFA's deposits and investment policies are in accordance with statutory authority.

The LDFA's cash is subject to one type of risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the LDFA had \$45,854 of bank deposits (checking account) that were uninsured and uncollateralized. The LDFA believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the LDFA evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**IV. Commitments**

The City of Davison purchased three properties within the LDFA's boundaries through an installment purchase agreement. The installment agreements require yearly interest payments with the principal due October 1, 2020, February 1, 2021 and October 19, 2019, respectively. The LDFA has verbally agreed to contribute the annual interest payments to the City of Davison for up to fifteen years.

The following is the estimated interest for all properties:

2007	\$ 12,626
2008	18,817
2009	18,817
2010	18,817
2011-2015	94,085
2016-2020	<u>85,889</u>
	<u>\$249,051</u>

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**V. LDFA proposed improvement projects**

The location, extent, and character of the proposed improvements noted in the LDFA's plan are identified below. It is estimated that the projects will be completed by the year 2017.

Future minimum payments required under the plan to complete each project are as follows:

<u>Short-term projects (current – 2007)</u>	<u>Estimated Cost</u>
Signage – to better promote industrial properties, corporate identification and directional signage will be situated at appropriate locations on M-15 and on West Rising Street	\$ 25,000
Overhead street lighting	35,000
Sidewalks – to promote pedestrian safety, sidewalks may be developed throughout the Development District with high priority given to both Dayton Street and West Rising Street	*Variable
<u>Long-term projects (2008 – 2017)</u>	
Landscaping	*Variable
Speculative building program	250,000
Parking – improved parking to better serve industrial facilities is considered a long-term priority. Expansion of existing facilities will require special attention to increased parking needs. Possible new ingress and egress on permanent easement to allow public financial participation is a potential solution to the problem.	*Variable
<u>On-going projects (current – 2017)</u>	
Land acquisition	400,000
Infrastructure improvements – extending the water and sewer lines and East Rising Road as a way to attract new industrial investment to the possible expansion area.	240,000
Administration – these funds will be allocated to operating expenses such as: a full/part-time administrator, supplies, materials, postage, newspaper publications, etc.	50,000
Professional services – these services will include, but not be limited to; legal, financial/auditing, marketing, advertising, grant assistance, planning, and design related services.	90,000
Contingencies – set at approximately 10 percent of total anticipated expenditures to cover project cost overruns and other unforeseen expenses.	<u>121,000</u>
Total	<u>\$1,211,000</u>

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**VI. Description of Brownfield costs to be paid for with tax increment revenues and summary of eligible activities**

Brownfield costs to be paid by the LDFA with tax increment revenues include, but are not limited to, the following:

- Phase I and II environment assessments
- Baseline environmental assessments
- Soil and groundwater investigations
- Underground storage tank removals
- Soil and/or groundwater remediation
- Building demolitions
- Due care activities (required by MDEQ)
- Associated infrastructure repairs associated with response activities
- Administration costs (work plans, MDEQ approvals, Authority administrative/operating expenses)

Costs for preliminary eligible activities that may be paid with tax increment revenues, associated with the projects approved by the LDFA and Davison City Council, are described below. Delineation of additional eligible activities to be conducted as part of a development agreement between the LDFA and the developer or owner of the eligible properties is deferred until certain baseline assessments and investigations are completed under this Plan.

Former Independent Oil Company Site

<u>Activity</u>	<u>Cost</u>
Groundwater investigation	\$ 19,000
Remedial action plan	3,000
Baseline environmental assessment	4,500
Soil contamination abatement <sup>(1)</sup>	25,000
UST removal	9,000
Groundwater contamination abatement <sup>(2)</sup>	-
Infrastructure repairs	7,000
Administration	6,800
Interest <sup>(3)</sup>	<u>56,551</u>
Total	<u>\$130,851</u>

(1) Cost based on engineering controls; may be revised based on MDEQ review of RAP.

(2) Extent of groundwater contamination unknown at this time; abatement costs will be determined following investigation.

(3) Interest calculated based on 6% for 21 years.

**Davison Local Development Finance Authority**  
**Davison, Michigan**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**VI. Description of Brownfield costs to be paid for with tax increment revenues and summary of eligible activities – (continued)**

Former Davison Oil & Gas Site

<u>Activity</u>	<u>Cost</u>
Soil and groundwater investigation	\$ 55,000
Remedial action plan	5,500
Baseline environmental assessment	5,000
Soil contamination abatement <sup>(1)</sup>	60,000
Groundwater contamination abatement <sup>(2)</sup>	-
Building demolition	25,000
UST removal	15,000
Infrastructure repairs	40,000
Administration	20,550
Interest <sup>(3)</sup>	<u>353,768</u>
Total	<u>\$579,818</u>

(1) Extent of soil contamination uncertain at this time; cost estimate based on best case scenario.

(2) Presence and extent of groundwater contamination unknown at this time; abatement costs cannot be estimated at this time.

(3) Interest calculated based on annual payments through available tax increments captured.

## **Required Supplementary Information Section**

**Davison Local Development Finance Authority**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2006**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Amended Budget</b>
	<b>Original</b>	<b>Amended</b>		
<b>Revenues:</b>				
Tax increment revenues	\$ 42,000	\$ 42,000	\$ <b>39,415</b>	\$ (2,585)
Interest	450	450	<b>1,358</b>	908
Total revenues	42,450	42,450	<b>40,773</b>	(1,677)
<b>Expenditures:</b>				
Current:				
Development administration:				
Community development director	21,000	21,000	<b>20,944</b>	56
Development activities:				
Professional services	27,000	27,000	<b>1,200</b>	25,800
Street lighting/streetscape	10,000	10,000	-	10,000
Properties expenses	52,500	52,500	<b>33,451</b>	19,049
Utilities	500	500	<b>287</b>	213
Interest expense	8,200	8,200	<b>10,194</b>	(1,994)
Total development activities	98,200	98,200	<b>45,132</b>	53,068
Total expenditures	119,200	119,200	<b>66,076</b>	53,124
Excess (deficiency) of revenues over expenditure	(76,750)	(76,750)	<b>(25,303)</b>	51,447
Fund balance - Beginning of year	146,117	146,117	<b>146,117</b>	-
<b>Fund balance - End of year</b>	<b>\$ 69,367</b>	<b>\$ 69,367</b>	<b>\$ 120,814</b>	<b>\$ 51,447</b>

*See notes to financial statements.*